

Bourret Township
Gladwin County, Michigan
Financial Report
With Supplemental Information
June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BOURRET TOWNSHIP	County GLADWIN
Audit Date 6/30/05	Opinion Date 10/24/05	Date Accountant Report Submitted to State: 11/10/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER, CPAs, LLP			
Street Address 103 E MAIN STREET, PO BOX 69		City ROSE CITY	State MI
		ZIP 48654	
Accountant Signature <i>Robertson & Carpenter, CPAs, LLP</i>		Date 11/10/05	

BOURRET TOWNSHIP

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Funds:	
Statement of Net Assets	14
Statement of Changes in Net Assets	15
Notes to Financial Statements	16-23
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	24
Budgetary Comparison Schedule - Road Fund	25
Budgetary Comparison Schedule - Fire Fund	26
Budgetary Comparison Schedule - Refuse Fund	27



Rodney C. Robertson, CPA
Robert J. Carpenter, CPA

ROBERTSON & CARPENTER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

INDEPENDENT AUDITOR'S REPORT

Township Board
Bourret Township
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Bourret Township as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bourret Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bourret Township as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2004.

The board's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 24 through 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bourret Township's basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter, CPAs, LLP

Robertson & Carpenter LLP
Certified Public Accountants
October 24, 2005

Management's Discussion and Analysis

As management of Bourret Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$230,400 (*net assets*). Of this amount, \$86,908 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- The Township's total net assets increased by \$12,762.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$176,965, an increase of \$15,848 in comparison with the prior year. The General Fund balance is \$86,908 at June 30, 2005, 49% of the total fund balances. The fund balance in the Road Fund is \$52,202. The fund balance in the Fire Fund is \$20,732. The fund balance in the Refuse Fund is \$17,123.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$86,908 or 188% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest payable).

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety and public works. The Township has no business-type activities as of and for the year ended June 30, 2005.

The Government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire Fund and Refuse Fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Road Fund, Fire Fund and Refuse Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 14-15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-23 of this report.

Government-wide Financial Analysis

[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.]

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$230,400 at the close of the most recent fiscal year.

A portion of the Township's net assets (23%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 186,496
Capital Assets, Net	53,435
Total Assets	\$ 239,931
Current Liabilities	9,531
Total Liabilities	\$ 9,531
Net Assets:	
Invested in Capital Assets, Net of Related Debt	53,435
Restricted	90,057
Unrestricted	86,908
Total Net Assets	\$ 230,400

The Township's net assets increased by \$12,762 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$17,806, or 18%, during the fiscal year ended June 30, 2005.

Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program Revenue:	
Charges for services	\$ 41,177
Operating Grants and Contributions	1,239
General Revenue:	
Property Taxes	71,890
State-Shared Revenues	31,758
Interest Earnings	1,301
Other	4,176
	<hr/>
Total Revenue	\$ 151,541
Expenses:	
General Government	\$ 49,205
Public Safety	40,751
Public Works	48,823
	<hr/>
Total Expenses	\$ 138,779
Increase in Net Assets	12,762
Net Assets, Beginning of Year	<hr/> 217,638
Net Assets, End of Year	\$ <u>230,400</u>

Governmental activities. The Township's total governmental revenues increased by \$6,052 from last fiscal year. This was primarily attributed to a new voted millage for road brine (\$4,952). Expenses decreased by \$17,439. The decrease was primarily due to a decrease of \$12,604 in Road Fund expenditures.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$176,965, an increase of \$15,848 in comparison with the prior year. The General Fund portion of the fund balance is \$86,908, which is available for spending at the Township's discretion. The remainder of the fund balance consists of Road Fund of \$52,202, Fire Fund of \$20,732 and Refuse Fund of \$17,123.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$86,908. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The entire General Fund balance is unreserved and represents approximately 188% of total general fund expenditures.

The fund balance of the General Fund decreased by \$17,806 during the current fiscal year.
The fund balance of the Road Fund increased by \$37,722 during the current fiscal year.
The fund balance of the Fire Fund increased by \$186 during the current fiscal year.
The fund balance of the Refuse Fund decreased by \$4,254 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The general fund budget was not amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$53,435 (net of accumulated depreciation). Investment in capital assets includes land, infrastructure, vehicles and equipment. There were no additions during the current fiscal year.

Township's Capital Assets (net of depreciation)

Land	\$	28,750
Land improvements		8,101
Buildings and improvements		11,612
Furniture and Equipment		<u>5,468</u>
Total	\$	<u>53,931</u>

Additional information on the Township's capital assets can be found in note 5 on page 22 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2004-2005, the Township received \$31,758 in state shared revenue, representing 51% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Bourret Township
Clerk's Office
2220 M-30
West Branch, MI 48661

Bourret Township
Statement of Net assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 179,615
Receivable-net	634
Due from governmental units	6,247
Capital assets-net (Note 5)	<u>53,435</u>
Total assets	<u>239,931</u>
 Liabilities	
Accounts payable	9,397
Accrued and other liabilities	<u>134</u>
Total liabilities	<u>9,531</u>
 Net Assets	
Invested in capital assets, net of related debt	53,435
Restricted:	
Road Fund	52,202
Fire Fund	20,732
Refuse Fund	17,123
Unrestricted	<u>86,908</u>
Total net assets	<u>\$ 230,400</u>

See accompanying notes

Bourret Township
Statement of Activities
Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants</u>	<u>Net (Expense)</u>
				<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
Governmental Activities				
General government	\$ 49,205	\$ 4,126	\$ -	\$ (45,079)
Public safety	40,751	-	1,239	(39,512)
Public works	<u>48,823</u>	<u>37,051</u>	<u>-</u>	<u>(11,772)</u>
Total governmental activities	\$ <u>138,779</u>	\$ <u>41,177</u>	\$ <u>1,239</u>	\$ <u>(96,363)</u>
General Revenues:				
Property taxes				71,890
State-shared revenues				31,758
Interest and investment earnings				1,301
Other				<u>4,176</u>
Total general revenues				<u>109,125</u>
Change in Net Assets				12,762
Net assets - beginning of year				<u>217,638</u>
Net assets - end of year				\$ <u>230,400</u>

See accompanying notes

Bourret Township
Governmental Funds
Balance Sheet
June 30, 2005

	General Fund	Road Fund	Fire Fund
Assets			
Cash and investments (Note 3)	\$ 91,616	\$ 45,982	\$ 21,382
Accounts receivable - net	352	-	-
Due from other funds (Note 6)	273	4,791	2,403
Due From other governmental units	4,818	1,429	-
Total assets	\$ <u>97,059</u>	\$ <u>52,202</u>	\$ <u>23,785</u>
Liabilities			
Accounts payable	\$ 2,832	\$ -	\$ 3,053
Accrued and other liabilities	134	-	-
Due to other funds	7,185	-	-
Total liabilities	<u>10,151</u>	<u>-</u>	<u>3,053</u>
Fund balances			
Unreserved:			
General Fund	86,908	-	-
Special Revenue Funds	-	52,202	20,732
Total fund balances	<u>86,908</u>	<u>52,202</u>	<u>20,732</u>
Total liabilities and fund balances	\$ <u>97,059</u>	\$ <u>52,202</u>	\$ <u>23,785</u>

Fund Balances - Total Governmental Funds

Elimination of due to and due from governmental funds

 Due to

 Due from

Amounts reported for governmental activities in the statement of net assets are different because:

 Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.

 The cost of capital assets is

 Accumulated depreciation is

Net Assets of Governmental Activities

See accompanying notes

<u>Refuse Fund</u>	<u>Total Governmental Funds</u>
\$ 20,635	\$ 179,615
-	352
-	7,467
-	6,247
<u>\$ 20,635</u>	<u>\$ 193,681</u>

\$ 3,512	\$ 9,397
-	134
-	7,185
<u>3,512</u>	<u>16,716</u>

-	86,908
17,123	90,057
<u>17,123</u>	<u>176,965</u>
<u>\$ 20,635</u>	<u>\$ 193,681</u>

\$ 176,965

7,185
(7,185)

\$ 120,907
(67,472)

53,435

\$ 230,400

Bourret Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2005

	General Fund	Road Fund	Fire Fund
Revenues			
Taxes and penalties	\$ 22,514	\$ 9,742	\$ 39,634
Special assessments	-	-	-
State-shared revenues and grants	31,758	-	1,239
Interest and rentals	5,056	245	64
Other	2,747	1,429	-
Total revenues	<u>62,075</u>	<u>11,416</u>	<u>40,937</u>
Expenditures			
Current:			
General government	46,119	-	-
Public safety	-	-	40,751
Public works	-	7,456	-
Total expenditures	<u>46,119</u>	<u>7,456</u>	<u>40,751</u>
Excess of Revenue Over (under)			
Expenditures	15,956	3,960	186
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	33,762	-
Transfers out (Note 6)	(33,762)	-	-
Bond Proceeds	-	-	-
Total other financing sources (uses)	<u>(33,762)</u>	<u>33,762</u>	<u>-</u>
Net Change in Fund Balances	(17,806)	37,722	186
Fund balances - Beginning of year	<u>104,714</u>	<u>14,480</u>	<u>20,546</u>
Fund balances - End of year	\$ <u><u>86,908</u></u>	\$ <u><u>52,202</u></u>	\$ <u><u>20,732</u></u>

See accompanying notes

<u>Refuse Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 71,890
37,051	37,051
-	32,997
62	5,427
-	4,176
<u>37,113</u>	<u>151,541</u>
-	46,119
-	40,751
<u>41,367</u>	<u>48,823</u>
<u>41,367</u>	<u>135,693</u>
(4,254)	15,848
-	33,762
-	(33,762)
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
(4,254)	15,848
<u>21,377</u>	<u>161,117</u>
\$ <u><u>17,123</u></u>	\$ <u><u>176,965</u></u>

Bourret Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	15,848
---	----	--------

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(3,086)	
Capital Outlay		<u>-</u>	
			<u>(3,086)</u>

Change in Net Assets of Governmental Activities	\$	<u>12,762</u>
--	----	---------------

See accompanying notes

Bourret Township
Fiduciary Funds
Statement of Net Assets
June 30, 2005

	Trust Fund- Pension Fund	Agency Funds
Assets		
Cash	\$ -	\$ 436
Investments - at fair value	4,436	-
	<hr/>	<hr/>
Total assets	4,436	<u>\$ 436</u>
 Liabilities		
Due to other funds	-	282
Due to other governments	-	154
	<hr/>	<hr/>
Total liabilities	-	<u>\$ 436</u>
 Net Assets - Held in Trust for Pension Benefits	 <u>\$ 4,436</u>	

See accompanying notes

Bourret Township
Fiduciary Funds
Statement of Changes in Net Assets
Year ended June 30, 2005

	Trust Fund- Pension Fund
Additions	
Contributions	
Employer	\$ 2,800
Investment earnings	326
	<hr/>
Total Additions	3,126
 Deductions	
Benefits	10,046
Administrative expenses	419
	<hr/>
Total deductions	10,465
 Net decrease	 (7,339)
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<hr/> 11,775
End of the year	 <hr/> <u>\$ 4,436</u>

See accompanying notes

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Bourret Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Road Fund is used to record property tax revenue, interest earnings and other revenue restricted for use on Township roads.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

The Refuse Fund is used to record special assessment revenue and interest earnings restricted for garbage collection purposes.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Ogemaw County, Michigan. The Township is allowed to invest in checking, savings and certificates of deposit accounts.

Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2004 taxable value of the Township was \$19,856,994. The 2004 tax levy was .6426 mills for general operating purposes, .2500 mills for the Road Fund and 1.8565 for the Fire Fund, raising \$12,888 for general operating purposes, \$4,952 for roads and \$37,239 for fire protection purposes.

Inventories and Prepaid items - Inventories are not significant amounts at year end. Inventory is recorded as expenditures when purchased. Payments to vendors reflecting costs applicable to future fiscal years are recorded as prepaid items in both government wide and fund financial statements, if applicable.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20- years

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Accounting Change - Effective July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$120,906 previously reported in the General Fixed Asset Account Group. Capital assets being depreciated at July 1, 2004 previously reported in the General Fixed Asset Account Group have been adjusted by \$9,060 to reflect historical cost of the Township's assets at that date.

The fund financial statements focus on major funds rather than fund types.

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. During the year there were no amendments to the budgets.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<u>General Fund:</u>			
General government	\$ 53,870	\$ 46,119	\$ 7,751
<u>Fire Fund:</u>			
Public safety	37,406	40,751	3,345
<u>Refuse Fund:</u>			
Public safety	40,500	46,119	5,619

Note 3 - Deposits and Investments

At year-end the Township's deposits and investments were deposited in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 179,615	\$ 436	\$ 180,051
Investments	-	4,436	4,436
Total	<u>\$ 179,615</u>	<u>\$ 4,872</u>	<u>\$ 184,487</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and certificates of deposit)	\$ 180,051
Investments	4,436
	<u>\$ 184,487</u>

The Township's investments at June 30, 2005 consisted of pension plan assets totaling \$4,436.

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 3 - Deposits and Investments (Continued)

Investment and deposit risk:

Interest rate

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial credit risk. At June 30, 2005, \$80,057 of the Township's bank balance of \$180,057 was exposed to custodial credit risk because it was uninsured.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

Note 4 - Receivables

Receivables as of year-end for the Township's individual major funds and the nonmajor and fiduciary funds in aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Major and Non- Major Funds</u>	<u>Total</u>
Receivables:				
Accounts receivable	\$ 352	\$ -	\$ -	\$ 352
Intergovernmental	<u>4,818</u>	<u>1,429</u>	<u>-</u>	<u>6,247</u>
Total receivables	<u>\$ 5,170</u>	<u>\$ 1,429</u>	<u>\$ 0</u>	<u>\$ 6,599</u>

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 28,750	\$ -	\$ -	\$ 28,750
Capital assets being depreciated:				
Infrastructure	-	-	-	-
Land improvements	9,920	-	-	9,920
Buildings	70,697	-	-	70,697
Furniture & equipment	11,540	-	-	11,540
Subtotal	<u>120,907</u>	<u>-</u>	<u>-</u>	<u>120,907</u>
Accumulated Depreciation				
Infrastructure	-	-	-	-
Land improvements	1,819	496	-	2,315
Buildings	57,441	1,644	-	59,085
Furniture & equipment	5,126	946	-	6,072
Subtotal	<u>64,386</u>	<u>3,086</u>	<u>-</u>	<u>67,472</u>
Net capital assets being depreciated	<u>56,521</u>	<u>(3,086)</u>	<u>-</u>	<u>53,435</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 56,521</u>	<u>\$ (3,086)</u>	<u>\$ 0</u>	<u>\$ 53,435</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General Government	\$ 3,086
Total governmental activities	<u>\$ 3,086</u>

Bourret Township
Notes to Financial Statements
June 30, 2005

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 273	General Fund	\$	7,185
Road Fund	4,791	Road Fund		-
Fire Fund	2,403	Fire Fund		-
Fiduciary Funds	-	Fiduciary Funds		282
Total	<u>\$ 7,467</u>	Total	\$	<u>7,467</u>

<u>Transfer In</u>		<u>Transfer Out</u>		
Road Fund	\$ <u>33,762</u>	General Fund	\$	<u>33,762</u>

Note 7 - Risk Management

Bourret Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Bourret Township has a defined contribution plan for elected officials through John Hancock. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township is required to contribute an amount equal to 15% of the employee's gross earnings to the plan.

During the year, the Township's required and actual contributions amounted to \$2,800, which was 15% of its current year covered payroll. There were no voluntary employee contributions. Covered payroll was \$14,732. Total payroll was \$16,307. All elected officials are covered by the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or as the close of the fiscal year.

Required Supplemental Information

Bourret Township
Budgetary Comparison Schedule - General Fund
Year ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	<u>\$ 104,609</u>	<u>\$ 104,609</u>	<u>\$ 104,714</u>	<u>\$ 105</u>
Resources (Inflows)				
Taxes and fees	28,080	28,080	22,514	(5,566)
State-shared revenues	33,140	33,140	31,758	(1,382)
Interest and rentals	4,254	4,254	5,056	802
Other	4,272	4,272	2,747	(1,525)
Amounts available for appropriation	<u>69,746</u>	<u>69,746</u>	<u>62,075</u>	<u>(7,671)</u>
Charges to Appropriations (Outflows)				
General government	53,870	53,870	46,119	(7,751)
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	500	500	-	(500)
Transfer to other funds	45,096	45,096	33,762	(11,334)
Total charges to appropriations	<u>99,466</u>	<u>99,466</u>	<u>79,881</u>	<u>(19,585)</u>
Fund Balance - end of year	<u>\$ 74,889</u>	<u>\$ 74,889</u>	<u>\$ 86,908</u>	<u>\$ 12,019</u>

Bourret Township
Budgetary Comparison Schedule - Road Fund
Year ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 12,868	\$ 12,868	\$ 14,480	\$ 1,612
Resources (Inflows)				
Taxes and fees	7,185	7,185	9,742	2,557
Interest and rentals	80	80	245	165
Other	-	-	1,429	1,429
Transfer in from other funds	35,500	35,500	33,762	(1,738)
Amounts available for appropriation	<u>42,765</u>	<u>42,765</u>	<u>45,178</u>	<u>2,413</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	55,633	55,633	7,456	(48,177)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Transfer to other funds	-	-	-	-
Total charges to appropriations	<u>55,633</u>	<u>55,633</u>	<u>7,456</u>	<u>(48,177)</u>
Fund Balance - end of year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>52,202</u>	\$ <u>52,202</u>

Bourret Township
Budgetary Comparison Schedule - Fire Fund
Year ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 22,394	\$ 22,394	\$ 20,546	\$ (1,848)
Resources (Inflows)				
Taxes and fees	37,645	37,645	39,634	1,989
State shared revenues and grants	-	-	1,239	1,239
Interest and rentals	80	80	64	(16)
Amounts available for appropriation	<u>37,725</u>	<u>37,725</u>	<u>40,937</u>	<u>3,212</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	37,406	37,406	40,751	3,345
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Transfer to other funds	-	-	-	-
Total charges to appropriations	<u>37,406</u>	<u>37,406</u>	<u>40,751</u>	<u>3,345</u>
Fund Balance - end of year	\$ <u>22,713</u>	\$ <u>22,713</u>	\$ <u>20,732</u>	\$ <u>(1,981)</u>

Bourret Township
 Budgetary Comparison Schedule - Refuse Fund
 Year ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 21,772	\$ 21,772	\$ 21,377	\$ (395)
Resources (Inflows)				
Special assessment	36,500	36,500	37,051	551
Interest and rentals	110	110	62	(48)
Amounts available for appropriation	<u>36,610</u>	<u>36,610</u>	<u>37,113</u>	<u>503</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	40,500	40,500	41,367	867
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Transfer to other funds	-	-	-	-
Total charges to appropriations	<u>40,500</u>	<u>40,500</u>	<u>41,367</u>	<u>867</u>
Fund Balance - end of year	\$ <u>17,882</u>	\$ <u>17,882</u>	\$ <u>17,123</u>	\$ <u>(759)</u>